



CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
3650 SCHRIEVER AVENUE
MATHER, CALIFORNIA 95655
PHONE: (916) 845-8120 FAX: (916) 845-8380

April 30, 2009

Ms. Kim Goldberg-Roth
Project Director
The University Corporation
7116 Sophia Avenue
Van Nuys, CA 91406

SUBJECT: AUDIT REPORTS FOR THE PERIOD ENDED JUNE 30, 2008

Dear Ms. Goldberg-Roth:

The California Emergency Management Agency (CalEMA) (formerly the Governor's Office of Emergency Services (OES)) has received and reviewed the above subject audit report issued by Vicenti Lloyd & Stutzman LLP on September 17, 2008. The report indicates there were certain issues involving compliance and other matters reported to management in a separate letter dated September 17, 2008.

OMB Circular A-133, §____.310 (f) states, "...auditees shall submit the appropriate copies of the reporting package described in paragraph (c) of this section and, if requested, a copy of any management letters issued by the auditor." In accordance with the Circular, please submit a copy of the September 17, 2008 management letter to CalEMA by May 15, 2009. The copy should be sent to:

Joel Ryan
California Emergency Management Agency
Local Assistance Monitoring Branch
3650 Schriever Avenue
Mather, CA 95655

In the event you have any questions or concerns regarding this issue, please contact Joel Ryan, CalEMA Local Assistance Monitoring Branch at (916) 845-8165 or joel.ryan@oes.ca.gov.

Sincerely,

A handwritten signature in cursive script that reads "Michael Baldwin".

MICHAEL BALDWIN
BRANCH CHIEF



May 8, 2009

Joel Ryan
California Emergency Management Agency
Local Assistance Monitoring Branch
3650 Schriver Avenue
Mather, CA 95655

Re: Audit Reports for the Period Ended June 30, 2008

Dear Mr. Ryan:

Attached, please find the Management Letter issued by our auditors, as requested in your letter dated April 30, 2009.

The issue mentioned in the letter does not affect your program, or any other sponsored program. Rather it deals with accrual requirements of construction projects, conducted by one of our other divisions.

Should you have any questions, please contact me at (818) 677 2698 or e-mail me at gjahn@csun.edu.

Best Regards,


Georg Jahn
Director, Sponsored Programs



The Audit Committee
The University Corporation
California State University, Northridge

In planning and performing our audit of the financial statements of The University Corporation (the Corporation) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency as defined by *Statement of Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit*:

Property, Plant, & Equipment

Observation: We noted the following deficiencies during our evaluation of the Corporation's Property, Plant, & Equipment procedures: The Corporation's construction contracts allow for a 10% retention of expenses incurred when invoiced by contractors. As a result, 90% of expenses incurred are payable to contractors throughout the period of the contract agreement and the remaining 10% is payable upon

Property, Plant, & Equipment (continued)

completion of the project. The Corporation records retention for the portion paid and does not have a liability established for the 10% retention on contractual agreements.

Recommendation: We recommend that management establish accruals and account for 10% retention on construction contracts.

This communication is intended solely for the information and use of management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

September 17, 2008